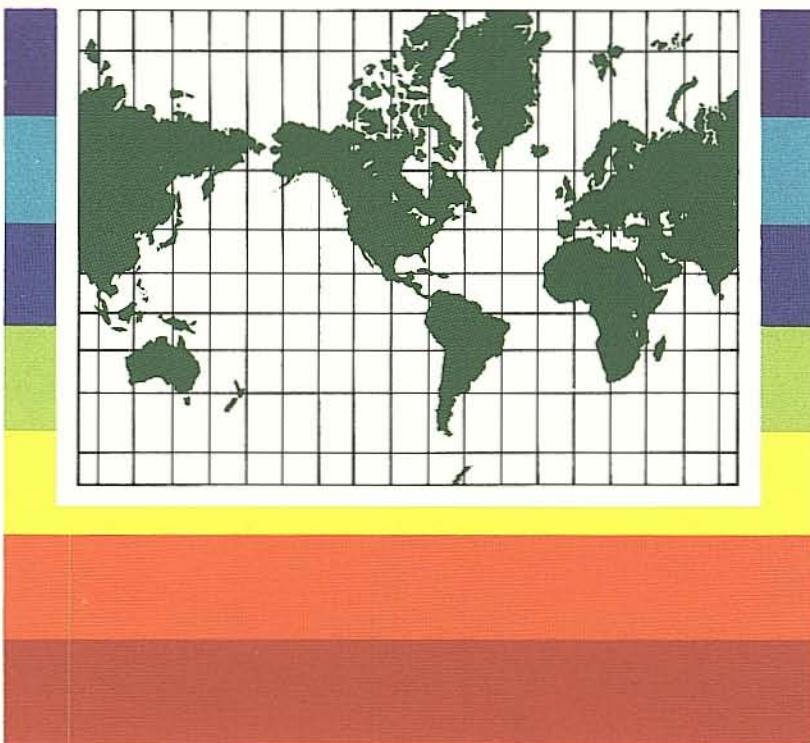
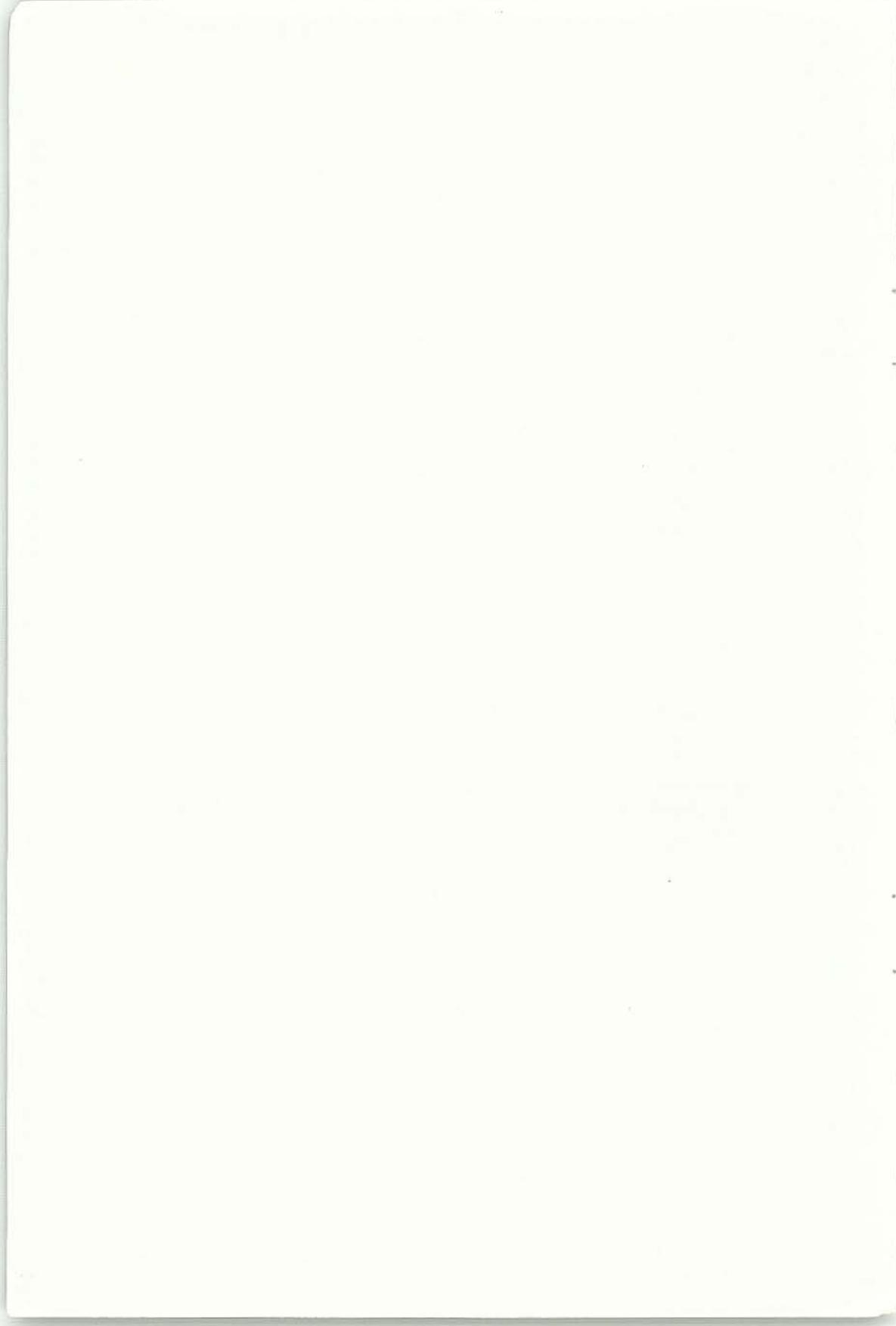


1974 Annual Report



*The Coca-Cola Company*



*The Coca-Cola Company*  
and Subsidiaries  
Annual Report  
for the  
Year 1974

*As a contribution to the conservation of our natural resources  
and the protection of the ecology, the paper used in this report  
has been manufactured from 100% reclaimed waste paper.*

## **Letter to Stockholders**

Consolidated Net Sales in 1974 were \$2,522,149,619, an increase of 17.6% over 1973. The increased dollar sales resulted principally from the pass-through of higher raw material costs, including sharply higher sugar costs. Unit sales volume slightly exceeded the record levels of 1973 both in domestic and foreign operations.

Consolidated Net Profit in 1974 reflected the Company's adoption of the Last-In,First-Out (LIFO) method of inventory valuation for certain classes of inventory, including sugar and other sweeteners used in domestic beverages, and for certain other domestic and foreign inventories as described in the accompanying financial statements. The LIFO method results in Cost of Goods Sold more closely approximating current replacement costs than was true under the Average or First-In,First-Out (FIFO) methods previously used. This accounting change had the effect of reducing full-year Net Profit by \$31,213,188 or 52¢ per share.

Consolidated Net Profit, reflecting the accounting change to LIFO, was \$195,972,336 or \$3.28 per share compared with \$214,981,215 or \$3.60 per share in 1973, a decline of 8.9%.

The Company's sales and profits were adversely affected during the last two quarters of 1974 by comparatively soft unit sales volume in the United States and in some industrialized countries overseas, resulting from higher wholesale and retail price levels for soft drinks which reflect sharply higher sugar costs, and also from a generally weaker world economy.

Sugar prices have now declined substantially from their peaks in late 1974, and this should result in lower wholesale and retail prices for soft drinks later in 1975. We expect net profit for the full-year 1975 to be substantially ahead of 1974, with the strongest gains occurring in the last half of the year.

Proceedings continue in the complaints filed by the Federal Trade Commission in 1971 against The Coca-Cola Company and other soft drink companies attacking the validity of territorial provisions in the Bottlers' contracts. An out-of-court settlement was reached in the lawsuit brought by The Coca-Cola Bottling Company of Taft (Inc.), which case also challenged the territorial provisions. A Bill sponsored by the National Soft Drink Association passed the United States Senate in 1973, the purpose of which was to recognize the validity of the exclusive territorial provisions in Bottlers' contracts. Although hearings were held by a House Subcommittee, the Bill did not reach the floor of the House in 1974. Sponsors of this legislation plan to resubmit bills in the 94th Congress.

At its November 18, 1974 meeting, the Board authorized the Company to acquire the Contract rights of Coca-Cola Bottling Co. (Thomas), Inc. It is anticipated that this acquisition will be consummated in the second quarter of 1975 and will be the last in a series of parent bottler acquisitions which began over 50 years ago.

J. Lucian Smith was elected President of the Company on May 7, 1974, succeeding Charles W. Duncan, Jr. Claus Halle was elected a Director on August 5, 1974. James D. Robinson, III was elected a Director on March 5, 1975, to fill the vacancy created by the resignation of R. W. Freeman.

In addition to the March 4, 1974 increase in the quarterly dividend reported in last year's Letter to Stockholders, which was the maximum increase then allowable under the guidelines of the President's Committee on Interest and Dividends, the Board of Directors, on August 5, 1974, increased the quarterly dividend from 50%¢ to 53½¢ a share, with the result that the aggregate 1974 dividend was \$2.08 a share, a 15.6% increase over 1973.

On March 5, 1975, the Board of Directors increased the quarterly dividend rate from 53½¢ a share to 57½¢ a share. This rate is equivalent to a full-year dividend of \$2.30 a share, a 10.6% increase over the aggregate 1974 dividend of \$2.08. This marks the thirteenth consecutive year the dividend rate has been increased.

A separate mailing to stockholders will contain the proxy, proxy statement and notice of annual meeting of stockholders to be held on Monday, May 5, 1975, at 10:00 A.M., Wilmington time, at the office of the Company, 100 West Tenth Street, Wilmington, Delaware.

For the Board of Directors



Chairman



President

## Board of Directors

William W. Allison

Atlanta, Ga.

*Executive Administrator  
Economic Opportunity Atlanta, Inc.*

J. Paul Austin

Atlanta, Ga.

*Chairman, Board of Directors  
The Coca-Cola Company*

C. H. Candler, Jr.

Atlanta, Ga.

*Director of Various Corporations*

Thomas H. Choate

New York, N.Y.

*Director of Various Corporations*

J. C. Cleaver

Milwaukee, Wis.

*Retired. Former Chairman,  
Board of Directors, Aqua-Chem, Inc.*

William A. Coolidge

Cambridge, Mass.

*Retired.*

George S. Craft

Atlanta, Ga.

*Director of Various Corporations*

Charles W. Duncan, Jr.

Houston, Texas

*Chairman, Board of Directors  
Rotan Mosle Financial Corporation*

F. B. Eisenberg

Atlanta, Ga.

*Executive Vice President and Treasurer  
The Coca-Cola Company*

James A. Farley

New York, N.Y.

*Honorary Chairman, Board of Directors  
The Coca-Cola Export Corporation*

R. W. Woodruff

Atlanta, Ga.

*Chairman, Finance Committee  
The Coca-Cola Company*

C. M. Halle

Atlanta, Ga.

*President, The Coca-Cola Export Corporation  
and Senior Vice President, The Coca-Cola Company*

E. Garland Herndon, Jr., M.D.

Atlanta, Ga.

*Vice President for Health Affairs  
Emory University*

Lindsey Hopkins

Miami, Fla.

*Chairman, Board of Directors, Security Trust Company*

John T. Lupton

Chattanooga, Tenn.

*President, The Coca-Cola Bottling Works, Inc. (Dallas)  
and Houston Coca-Cola Bottling Company*

James D. Robinson, III

New York, N.Y.

*Executive Vice President  
American Express Company*

John A. Sibley

Atlanta, Ga.

*Honorary Chairman, Board of Directors  
Trust Company of Georgia*

J. Lucian Smith

Atlanta, Ga.

*President, The Coca-Cola Company*

John R. Talley

Atlanta, Ga.

*Chairman, Board of Directors  
The Coca-Cola Export Corporation*

D. A. Turner

Columbus, Ga.

*Chairman, Boards of Directors  
Columbus Bank & Trust Co. and W. C. Bradley Co.*

George W. Woodruff

Atlanta, Ga.

*Director of Various Corporations*

## **The Coca-Cola Company**

### **Officers**

J. Paul Austin.....*Chairman, Board of Directors*  
J. Lucian Smith.....*President*

#### **Executive Vice Presidents**

Charles W. Adams—*Administration*  
F. B. Eisenberg—*Finance*

#### **Senior Vice Presidents**

Roberto C. Goizueta—*Technical*  
C. M. Halle—*Subsidiary President*  
Donald R. Keough—*Division President*  
A. E. Killeen—*Marketing*  
J. J. McGourty—*Controller*  
C. A. Shillinglaw—*Staff*

#### **Vice Presidents**

Ira C. Herbert—*Division President*  
Edward Aborn—*Division Chairman*  
B. M. Middlebrooks—*Division Chairman*

Richard F. Atwood	Richard D. Ford
C. E. Boyd, Jr.	Richard D. Harvey
R. J. Broadwater	J. W. Jones
Leo E. Conroy	J. William Pruett, Jr.
Ovid R. Davis	Hugh W. Schwarz
Paul L. Dillingham	J. H. Smit

Richard F. Atwood.....	<i>General Counsel</i>
F. B. Eisenberg.....	<i>Treasurer</i>
J. J. McGourty.....	<i>Controller</i>
Fred S. Perrin.....	<i>Secretary</i>

## Description of Business of The Coca-Cola Company

The Coca-Cola Company is engaged principally in one line of business, the manufacture and sale of beverages, including soft drink syrups and concentrates, coffee, tea, citrus juices, ades and drinks. The total sales and profits before income taxes for such products constituted more than 95 per cent of the Company's total sales and profits in 1974 and each of the three preceding fiscal years.

For over 85 years, the Company has engaged in the manufacture and sale of syrup and concentrate for Coca-Cola around the world. While there are many other soft drinks sold in the United States and around the world, the world-wide volume sales of Coca-Cola are greater than any other soft drink.

Until 1954, Coca-Cola was available in 6½-ounce bottles and in glasses at soda fountains. Today, Coca-Cola is available in both returnable bottles and convenience packages in a wide variety of sizes.

Beginning in the mid 1950's and continuing today, new soft drink products have been developed and introduced by the Company. The Fanta brand soft drinks are available in flavors including orange, root beer, grape, strawberry, lemon-lime, orange-pineapple, red cream soda and wild cherry.

Other soft drink products include sugar-free TAB and Fresca, lemon-lime flavored Sprite, Mr. PiBB and citrus flavored Simba. Additionally, the Company markets Santiba in ginger ale, club soda, quinine water and Island Mixer.

During 1974, the Company introduced sugar-free Sprite and the TAB brand of sugar-free flavors including root beer, ginger ale, black cherry, orange, lemon-lime and strawberry.

In the 1960's with the acquisition of the Minute Maid Corporation and Duncan Foods Company, The Coca-Cola Company added to its beverage line Minute Maid and Snow Crop frozen concentrated citrus juices, the Hi-C brand of fruit drinks, Maryland Club and Butternut coffee and tea, Admiration, Thomas J. Webb and Huggins Gourmet Mocha Java coffee.

In addition, the Company's Tenco division sells instant coffee, tea and flavored instant drinks to regional coffee companies and food store chains who purchase the products packaged for sale under their own labels.

Aqua-Chem, Inc., a wholly-owned subsidiary, was acquired in 1970. Aqua-Chem designs and manufactures water pollution control equipment, seawater desalters and packaged steam and hot water generators.

## The Coca-Cola Company and Subsidiaries Quarterly Financial Data For Years 1974 and 1973

### Net Sales:

	1974	1973
First Quarter.....	\$ 494,570,067	\$ 448,241,182
Second Quarter.....	661,199,182	569,686,853
Third Quarter.....	704,526,438	601,472,549
Fourth Quarter.....	661,853,932	525,588,017
Full Year.....	<u>\$2,522,149,619</u>	<u>\$2,144,988,601</u>

### Net Profit:

First Quarter.....	\$ 40,615,304	\$ 40,625,901
Second Quarter.....	62,921,680	63,112,100
Third Quarter.....	56,759,256	65,769,292
Fourth Quarter.....	35,676,096	45,473,922
Full Year.....	<u>\$ 195,972,336</u>	<u>\$ 214,981,215</u>

### Net Profit Per Share:

First Quarter.....	\$ .68	\$ .68
Second Quarter.....	1.05	1.06
Third Quarter.....	.95	1.10
Fourth Quarter.....	.60	.76
Full Year.....	<u>\$ 3.28</u>	<u>\$ 3.60</u>

### Note:

In the fourth quarter of 1974, the Company changed its method of inventory valuation for certain major classes of inventories to the last-in, first-out (LIFO) method as described in Note 2 of the accompanying financial statements. Net profit for the first three quarters of 1974 has therefore been restated to reflect the effect of this change. The effect of the change in each quarter was to decrease net profit as follows:

	Amount	Per Share
First Quarter	\$ 4,562,181	\$ .08
Second Quarter	7,081,207	.12
Third Quarter	9,142,559	.15
Fourth Quarter	10,427,241	.17
Full Year	<u>\$31,213,188</u>	<u>\$ .52</u>

## The Coca-Cola Company Cash Dividends

Cash dividends were paid on common shares in 1974 and 1973 as follows:

	1974	1973
First Quarter	\$ .5075	\$ .425
Second Quarter	.5075	.425
Third Quarter	.5325	.475
Fourth Quarter	.5325	.475
Full Year	<u>\$ 2.08</u>	<u>\$ 1.80</u>

## The Coca-Cola Company and Subsidiaries

	<u>1970</u>
Net sales.....	\$1,606,401,160
Cost of goods sold.....	880,751,494
Taxes on income.....	144,307,000
Net profit.....	146,875,967
Average number of shares of common stock outstanding during year..	59,340,046
Net profit per common share based upon the above shares.....	\$2.48
Cash dividends paid per common share.....	\$1.44

### Note A:

Change to LIFO method of inventory valuation. In 1974, the Company adopted the last-in, first-out (LIFO) accounting method for certain major classes of inventories as explained in Note 2 in the accompanying financial statements. This accounting change had the effect of reducing net profit for 1974 by \$31,213,188 (\$.52 a share).

## Management's Discussion and Analysis

Net sales in 1974 increased by \$377,161,018 or 17.6% over net sales for 1973, while cost of goods sold increased by \$393,748,403 or 34.3% over 1973 cost of goods sold. These increases resulted principally from the pass-through of higher raw material costs, including sharply higher sugar costs which have caused substantially higher wholesale and retail prices for many of the Company's principal products. As a result, volume gains achieved in previous years were not repeated in 1974 although unit sales volume slightly exceeded the record levels established in 1973 for both domestic and foreign operations.

The price and availability of sugar, a principal ingredient in Coca-Cola and various other Company products, is of vital significance to the Company. During 1974, sugar prices reached unprecedented levels. The Company, however, was able to maintain adequate sugar supplies so that production was not disrupted. Additionally, the Company has approved the use of high fructose corn syrup as a partial replacement for sugar in certain products other than Coca-Cola. Further, it is expected that the use of sweeteners other than sugar will increase as suitable products become available in quantity at competitive prices.

## Consolidated Summary of Operations

YEAR ENDED DECEMBER 31,

1971	1972	1973	1974
\$1,728,827,572	\$1,876,192,397	\$2,144,988,601	\$2,522,149,619
927,334,862	995,340,910	1,147,939,444	1,541,687,847
159,744,000	172,644,000	187,057,000	168,681,000
167,814,911	190,157,427	214,981,215	195,972,336(A)
59,597,428	59,699,046	59,776,262	59,834,982
\$2.82	\$3.19	\$3.60	\$3.28(A)
\$1.58	\$1.64	\$1.80	\$2.08

## of the Summary of Operations

Net sales and cost of goods sold, however, were reduced in 1974 because of the sale of certain Company-owned canning plants in the United States and overseas. Net profit was not substantially affected by the disposal of these facilities because the Company continues to supply syrup or concentrate to independent bottlers who now operate their own canning facilities instead of obtaining canned products from Company-owned plants.

The accounting change in 1974 to the last-in, first-out (LIFO) inventory method for a substantial portion of the Company's inventories had the effect of materially reducing 1974 net profit from what would have been reported had the former methods (average or first-in, first-out) been continued. The change to LIFO had the effect of reducing 1974 net profit by \$31,213,188 (\$.52 a share). Management believes the LIFO method is preferable for these inventories because it results in cost of goods sold more closely approximating current replacement costs.

In 1973, net sales increased by \$268,796,204 or 14.3% over net sales for 1972, while cost of goods sold increased by \$152,598,534 or 15.3% over 1972 cost of goods sold. The increases resulted principally from increased unit sales volume and the pass-through of higher raw material costs.

*Management's Discussion and Analysis of the  
Summary of Operations (Continued)*

During 1973, the Company increased media advertising expenditures by \$25,091,578 or 21% over the comparable amount for 1972. The significant increase in advertising expenditures was part of intensified efforts to increase unit sales volume in the United States and overseas by increasing consumer awareness of the Company's products. In view of sharply increased raw materials costs and the price increases required to offset the higher costs, media advertising expenditures in 1974 were reduced by \$15,738,748 or 11% from 1973 levels. This reduction in media advertising was partially offset by increases in other promotional expenses.

Taxes, other than income taxes, amounted to \$41,001,647 in 1974 and \$37,129,827 in 1973, an increase of \$3,871,820 and \$7,101,018 over 1973 and 1972, respectively. These increases were principally due to increased payroll taxes which accounted for \$3,921,497 and \$5,226,501 of the increases in 1974 and 1973, respectively. The increased payroll taxes resulted from higher base payrolls and increased rates in certain locations.

Maintenance and repairs amounted to \$34,437,858 in 1974 and \$30,342,236 in 1973, an increase of \$4,095,622 and \$5,312,718 over 1973 and 1972, respectively. These increases reflect higher labor and material costs necessary to maintain the Company's facilities in efficient operating condition.

Management believes that the summary of operations reflects the growth the Company has experienced during the past five years. Except for the decline in reported earnings in 1974, which resulted from the adoption of the LIFO method of inventory valuation for certain major classes of inventories, earnings have increased each year for the past twenty years. Since its second year of incorporation in 1920, the Company has paid cash dividends each year and the dividend has been increased each year since 1962. Management believes the Company is in a very strong position for future increases in profits and dividends.

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**The Coca-Cola Company  
Stock Market Information**

The principal market in which the securities of the Company are traded is the New York Stock Exchange, Inc. All securities are common stock, no par value. The high and low prices for each quarter for the past two years are as follows:

	1974		1973	
	High	Low	High	Low
First Quarter	\$127.75	\$109.50	\$150.00	\$135.50
Second Quarter	118.375	98.375	146.75	131.00
Third Quarter	109.00	48.00	146.00	136.875
Fourth Quarter	68.75	44.625	146.50	115.50

## The Coca-Cola Company and Subsidiaries Consolidated Statement of Profit and Loss

	YEAR ENDED DECEMBER 31,	
	1974	1973
Net sales.....	\$2,522,149,619	\$2,144,988,601
Cost of goods sold.....	1,541,687,847	1,147,939,444
GROSS PROFIT.....	980,461,772	997,049,157
Selling, administrative and general expenses.....	634,251,995	605,638,307
OPERATING PROFIT.....	346,209,777	391,410,850
Other income.....	32,868,835	26,820,933
	379,078,612	418,231,783
Less other deductions.....	14,425,276	16,193,568
PROFIT BEFORE TAXES ON INCOME.....	364,653,336	402,038,215
Provision for taxes on income .....	168,681,000	187,057,000
NET PROFIT.....	\$ 195,972,336	\$ 214,981,215
Net profit per share of		
common stock .....	\$ 3.28	\$ 3.60

## Consolidated Statement of Earned Surplus

	YEAR ENDED DECEMBER 31,	
	1974	1973
Balance at January 1.....	\$ 821,997,955	\$ 714,618,797
Net profit for the year.....	195,972,336	214,981,215
	1,017,970,291	929,600,012
Dividends paid in cash (per share—		
1974, \$2.08; 1973, \$1.80).....	124,462,043	107,602,057
BALANCE AT DECEMBER 31.....	\$ 893,508,248	\$ 821,997,955

**The Coca-Cola Company and Subsidiaries**

**Assets**

	DECEMBER 31,	
	1974	1973
<b>CURRENT:</b>		
Cash.....	\$ 78,276,435	\$ 73,662,020
Marketable securities—at cost (market price— 1974, \$158,293,148; 1973, \$232,033,155) .....	<u>159,841,287</u>	231,795,735
Trade accounts receivable (less allowance— 1974, \$4,315,550; 1973, \$2,500,069) .....	<u>220,933,446</u>	155,065,131
Inventories.....	<u>309,813,053</u>	247,515,901
Prepaid expenses.....	<u>28,383,778</u>	25,183,328
<b>TOTAL CURRENT ASSETS.....</b>	<b><u>797,247,999</u></b>	<b>733,222,115</b>
<b>MISCELLANEOUS INVESTMENTS AND OTHER ASSETS.....</b>		
	<b><u>104,724,743</u></b>	<b>69,149,330</b>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
Land and improvements.....	<u>66,484,180</u>	63,954,913
Buildings.....	<u>250,672,625</u>	236,707,697
Machinery and equipment.....	<u>523,776,766</u>	486,989,357
Containers.....	<u>119,964,790</u>	105,012,651
	<u>960,898,361</u>	892,664,618
Less allowance for depreciation.....	<u>389,467,972</u>	356,840,449
	<u>571,430,389</u>	535,824,169
<b>FORMULAE, TRADE-MARKS AND GOODWILL.....</b>		
	<b><u>62,925,152</u></b>	<b>56,166,803</b>
	<b><u>\$1,536,328,283</u></b>	<b>\$1,394,362,417</b>

*See Notes to Financial Statements*

# Consolidated Balance Sheet

## Liabilities

	DECEMBER 31,	
	1974	1973
<b>CURRENT:</b>		
Notes payable.....	\$ 47,717,434	\$ 14,116,192
Current maturities of long-term debt.....	2,112,604	1,901,369
Accounts payable and accrued accounts.....	228,399,946	195,584,801
Accrued taxes—including taxes on income.....	94,360,056	107,255,242
<b>TOTAL CURRENT LIABILITIES.....</b>	<b>372,590,040</b>	<b>318,857,604</b>
LONG-TERM DEBT.....	11,035,213	8,253,766
RESERVE FOR FOREIGN OPERATIONS.....	101,655,814	101,655,814
DEFERRED INCOME TAXES.....	29,475,526	19,950,692
<b>CAPITAL STOCK AND SURPLUS:</b>		
Common stock—no par value; authorized 70,000,000 shares; (issued 1974, 59,856,476 shares; 1973, 59,803,238 shares)	60,219,333	60,165,562
Capital surplus.....	68,197,709	63,834,624
Earned surplus.....	893,508,248	821,997,955
	1,021,925,290	945,998,141
Less 7,300 shares of stock held in treasury— at cost.....	353,600	353,600
	1,021,571,690	945,644,541
	<b>\$1,536,328,283</b>	<b>\$1,394,362,417</b>

See Notes to Financial Statements

**The Coca-Cola Company and Subsidiaries**  
**Consolidated Statement**  
**of Changes in Financial Position**

DECEMBER 31,

	1974	1973
<b>SOURCE OF WORKING CAPITAL</b>		
From operations:		
Net profit for year.....	\$ 195,972,336	\$ 214,981,215
Add charges not requiring outlay of working capital during the year:		
Provision for depreciation.....	58,856,099	58,501,818
Deferred income taxes.....	9,524,834	4,250,019
Other.....	13,085,250	9,868,764
TOTAL FROM OPERATIONS.....	<b>277,438,519</b>	287,601,816
Disposals of property, plant and equipment.....	39,270,284	15,708,029
Proceeds from exercise of stock options.....	3,701,106	3,767,102
Increase in long-term debt.....	2,781,447	1,162,771
Tax benefit from optioned shares sold.....	715,750	1,041,050
	<b>323,907,106</b>	309,280,768
<b>APPLICATION OF WORKING CAPITAL</b>		
Cash dividends.....	124,462,043	107,602,057
Additions to property, plant and equipment.....	146,681,011	121,286,920
Increase in miscellaneous investments and other assets.....	35,575,413	13,468,274
Acquisitions of formulae, trade-marks and goodwill.....	6,895,191	0
Other items, net.....	0	96,060
	<b>313,613,658</b>	242,453,311
INCREASE IN WORKING CAPITAL.....	<b>10,293,448</b>	66,827,457
Working capital at beginning of year.....	414,364,511	347,537,054
WORKING CAPITAL AT END OF YEAR.....	<b>\$ 424,657,959</b>	<b>\$ 414,364,511</b>
<b>INCREASE (DECREASE) IN WORKING CAPITAL, BY COMPONENTS</b>		
Cash.....	\$ 4,614,415	\$ 11,696,810
Marketable securities.....	(71,954,448)	56,344,980
Trade accounts receivable.....	65,868,315	17,518,248
Inventories.....	62,297,152	25,629,987
Prepaid expenses.....	3,200,450	951,508
Notes payable.....	(33,601,242)	10,931,926
Current maturities of long-term debt.....	(211,235)	508,175
Accounts payable and accrued accounts.....	(32,815,145)	(42,846,609)
Accrued taxes—including taxes on income.....	12,895,186	(13,907,568)
INCREASE IN WORKING CAPITAL.....	<b>\$ 10,293,448</b>	<b>\$ 66,827,457</b>

*See Notes to Financial Statements*

## Notes to Financial Statements

### 1. Accounting Policies.

The major accounting policies and practices followed by the Company and its subsidiaries are as follows:

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation. The Company's investment in majority-owned subsidiaries and certain affiliated companies is stated at cost plus equity in the net profit or loss of these companies subsequent to date of acquisition, and the Company's equity in the net profit or loss of these companies is included in the consolidated statement of profit and loss.

Amounts with respect to consolidated foreign subsidiaries have been translated in terms of United States dollars as follows: property accounts, investments in foreign securities, and formulae, trade-marks and goodwill were translated at rates of exchange prevailing at dates of acquisition and all other assets and liabilities at approximate rates of exchange prevailing at year-end; income and expenses were translated at weighted average rates of exchange which were in effect during the year except as to depreciation which was translated on the same basis as the related property accounts. Exchange adjustments, including gain or loss on settled forward exchange contracts, are charged or credited to profit as incurred.

The reserve for foreign operations was established prior to 1969 by appropriations from income representing unremitting foreign profits and is available to absorb abnormal foreign exchange revaluations and abnormal losses on foreign operations.

The Company values its inventory at the lower of cost or market. In 1974, the Company adopted the last-in, first-out (LIFO) method of inventory valuation for sugar and other sweeteners used in domestic beverages and for substantially all inventories of domestic bottling subsidiaries and certain other domestic and foreign operations. Inventories of certain major citrus concentrate products have consistently been valued on the LIFO method. All other inventories are valued on the average or first-in, first-out method.

Property, plant and equipment is stated at cost, less allowance for depreciation, except that foreign subsidiaries carry bottles and shells in service at amounts (less than cost) which, in general, correspond with deposit prices obtained from customers. Approximately 75% of depreciation for 1974 and 69% for 1973 was determined by the straight-line method and the remainder by accelerated methods. A portion of the depreciation determined by the straight-line method for financial statement purposes has been calculated on accelerated methods for income tax purposes. Deferred income taxes have been provided to recognize timing differences in reporting depreciation for accounting and tax purposes. The investment tax credit, which is not material in amount, is accounted for by the flow-through method.

*Notes to Financial Statements (Continued)*

Formulae, trade-marks and goodwill are stated on the basis of cost and if purchased subsequent to October 31, 1970, are being amortized over the estimated future periods to be benefited (not exceeding 40 years).

Research and development costs are charged to profit as incurred.

Information relating to leases is not presented as rental expense and future lease commitments are not material.

**2. Change to LIFO Method of Accounting.** In 1974, the Company changed the method of inventory valuation for sugar and other sweeteners used in domestic beverages and for substantially all inventories of domestic bottling subsidiaries and certain other domestic and foreign operations. The change was from the lower of cost (average or first-in, first-out method) or market to the lower of cost (last-in, first-out method) or market. The Company believes the LIFO method is preferable for these inventories because it results in cost of goods sold more closely approximating current replacement cost. The accounting change had the effect of reducing inventories at December 31, 1974 by \$63,746,141 and reducing net profit for 1974 by \$31,213,188 (\$.52 a share).

**3. Foreign Operations.** The Company's investments in consolidated subsidiaries outside the United States are shown below:

	December 31,	
	1974	1973
Current assets.....	\$311,196,178	\$248,736,760
Property, plant and equipment—net.....	243,323,748	219,222,443
Other assets.....	78,391,949	58,831,772
	632,911,875	526,790,975
Liabilities.....	260,124,679	202,138,703
Net assets.....	<u>\$372,787,196</u>	<u>\$324,652,272</u>

Net sales of foreign operations were 41% of total net sales in 1974 and 44% in 1973; profits attributable to such business amounted to approximately 63% of total profits in 1974 and 59% in 1973. Exchange adjustments were not material in amount in either year.

Appropriate U.S. and foreign income taxes have been accrued on profits of subsidiary companies which are expected to be remitted to the parent company in the near future. Unremitted profits of foreign subsidiaries which are expected to be required for use in the foreign operations amounted to approximately \$37,000,000 at December 31, 1974, exclusive of amounts which if remitted would result in little or no tax.

*Notes to Financial Statements (Continued)*

**4. Stock Options.** Options were held by officers and employees of the Company and its subsidiaries to purchase shares of the Company's common stock at prices ranging principally from \$38.50 to \$146.13 per share in each of the years 1974 and 1973. Further information relating to the options is as follows:

	1974	1973
Options outstanding at January 1.....	311,921	246,367
Options granted during the year.....	284,750	133,960
Options exercised during the year.....	(53,238)	(60,473)
Options cancelled during the year through death, retirement or resignation.....	(4,346)	(7,933)
Options outstanding at December 31.....	<u>539,087</u>	<u>311,921</u>
Options exercisable at December 31.....	138,251	108,598
Shares available for option which may be granted.....	<u>140,093</u>	<u>415,497</u>

**5. Pension Plans.** The Company and its subsidiaries have various pension plans covering substantially all employees, including certain employees in foreign countries. Pension expense determined under various actuarial cost methods, principally aggregate level cost method, amounted to \$15,688,979 in 1974 and \$13,999,648 in 1973. In general, pension costs are funded when accrued.

Preliminary actuarial evaluations indicate that the requirements of the Employee Retirement Income Security Act of 1974 will not have a significant financial impact on the Company's pension costs.

**6. Changes in Capital during 1973 and 1974 are as follows:**

	Common Stock Issued		Capital Surplus
	Shares	Amount	
Balance January 1, 1973.....	59,742,765	\$60,104,484	\$59,087,550
Sale of stock to employees exercising stock options.....	60,473	61,078	3,706,024
Tax benefit from sale of option shares by employees.....	—	—	1,041,050
Balance December 31, 1973.....	59,803,238	60,165,562	63,834,624
Sale of stock to employees exercising stock options.....	53,238	53,771	3,647,335
Tax benefit from sale of option shares by employees.....	—	—	715,750
Balance December 31, 1974.....	<u>59,856,476</u>	<u>\$60,219,333</u>	<u>\$68,197,709</u>

**7. Proposed Acquisition.** The Company has entered into an agreement to purchase for approximately \$35,000,000 the contract rights of Coca-Cola Bottling Co. (Thomas), Inc., the only remaining parent bottler.

## **Accountants' Report**

**To the Board of Directors  
The Coca-Cola Company  
Wilmington, Delaware**

We have examined the consolidated balance sheets of The Coca-Cola Company and subsidiaries as of December 31, 1974, and December 31, 1973, and the related consolidated statements of profit and loss, earned surplus and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial

statements referred to above present fairly the consolidated financial position of The Coca-Cola Company and subsidiaries at December 31, 1974, and December 31, 1973, and the consolidated results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the period except for the change, with which we concur, in the method of determining certain inventory costs as described in Note 2 to the financial statements.

A handwritten signature in cursive ink that reads "Ernst & Ernst". The signature is written in a flowing, continuous script, with the two "E"s joined together.

Atlanta, Georgia  
February 28, 1975

# The Coca-Cola Company

## Divisions

### Coca-Cola USA Atlanta, Georgia

Donald R. Keough ..... President

Executive Vice President  
John H. Ogden

#### Senior Vice Presidents

Charles S. Lord ..... Francis H. Spears

#### Vice Presidents

M. W. Bates	Ralph H. Garrard	Dianne McKaig
J. E. Bilbo	John W. Georgas	John M. Mount
J. A. Blanchard	T. H. Gibson	William R. Saltmer
J. Allen Brent	R. Bruce Gilbert	Walter L. Susong
J. D. Britton	Marion B. Glover	Harry E. Teasley
Homer C. Burrous	Clifton E. Hewell	James F. Williams
Anthony J. Butterworth	Gary P. Hite	G. Donald Wilson
Wilson P. Franklin	Charles K. Holmes, Jr.	James W. Wimberly
	William S. Judkins	

Charles S. Lord ..... Secretary and Treasurer

### The Coca-Cola Company Foods Division Houston, Texas

B. M. Middlebrooks ..... Chairman  
Ira C. Herbert ..... President

#### Vice Presidents

Harold Broadway	Norman W. Jenkins, Jr.	Albert G. Munkelt
Thomas C. Cleveland	W. M. Kelly	James L. Parker
Robert V. Fey	Matt S. Miller	Maurice C. Roe
John J. Gillin		George W. Truitt

Roland G. Parker ..... Treasurer  
John N. Touchstone ..... Secretary

### Tenco Linden, New Jersey

Edward Aborn ..... Chairman  
Thomas E. Dannemiller ..... President

#### Vice Presidents

Frank W. Bachmann	Charles C. Druce
William M. Berry	John H. Hornung
Edward T. Down	John M. Miller
	Philip Sacher
Elizabeth L. Swanson	Secretary

**Coca-Cola Ltd.**  
**Toronto, Ontario, Canada**

G. J. Leonidas.....*Chairman, Board of Directors*  
I. R. Wilson.....*President*

**Senior Vice President**

L. M. Hunter

**Vice Presidents**

N. W. Kirchmann  
D. C. Robinson  
W. F. Sherer

D. C. Robinson.....*Treasurer*  
D. A. Burwash.....*Secretary*

**Aqua-Chem, Inc.**  
**Milwaukee, Wisconsin**

John K. Collings, Jr. ....*Chairman, Board of Directors*  
Jerome E. Vielehr.....*President*

**Vice Presidents**

Richard J. Kendro  
Armando B. Steinbruchel

Jerome E. Vielehr.....*Treasurer*  
Robert P. Harland.....*Secretary*

# **The Coca-Cola Export Corporation**

## **Atlanta, Georgia**

James A. Farley.....*Honorary Chairman, Board of Directors*  
John R. Talley.....*Chairman, Board of Directors*  
C. M. Halle.....*President*

### **Senior Vice Presidents**

R. N. Chrane  
P. W. D. Fairbarns  
Klaus Putter  
J. H. Smit  
W. O. Solms  
C. P. Stephens  
A. Young

### **Vice Presidents**

S. Ayoub  
S. S. Dolfi  
C. H. Hodgkins  
Miguel B. Macias  
A. Malaspina  
T. Nowak  
D. G. Sisler  
J. F. Staresinich  
C. G. Zogran

C. H. Hodgkins.....*General Counsel*  
S. Ayoub.....*Treasurer*  
J. F. Staresinich.....*Controller*  
C. G. Zogran.....*Secretary*

# The Coca-Cola Export Corporation

## *Zone Divisions*

### Coca-Cola Africa

A. Young ..... President

#### Vice-Presidents

B. J. Laporte F. J. Meyer A. A. Parassis

### Coca-Cola Asia

P. W. D. Fairbarns ..... President

#### Senior Vice President

C. E. Hulley

#### Vice Presidents

E. C. Ong John L. Siegele J. E. Talley  
Robert Paterson Walter J. Woods

### Coca-Cola Europe

Klaus Putter ..... President

#### Senior Vice Presidents

A. J. Boller J. M. S. de Vicuna  
Ignazio Graul Felix Van de Walle

#### Vice Presidents

F. H. R. Baraldi	P. J. Hoets	K. W. Leist
Harald Berkessel	V. G. Hoppers	G. J. Marazzini
Georg Fleischer	A. A. Joary	Kisan Mehta
R. A. Gardner	B. F. Kingston	A. W. Noltes
C. Hochman		E. van Steeden

### Coca-Cola Latin America

W. O. Solms ..... President

#### Senior Vice President

H. T. Circuit, Jr.

#### Vice Presidents

E. E. Bledel	J. R. Carpenter	B. G. Dyson
H. Caceres		A. T. Russell, Jr.

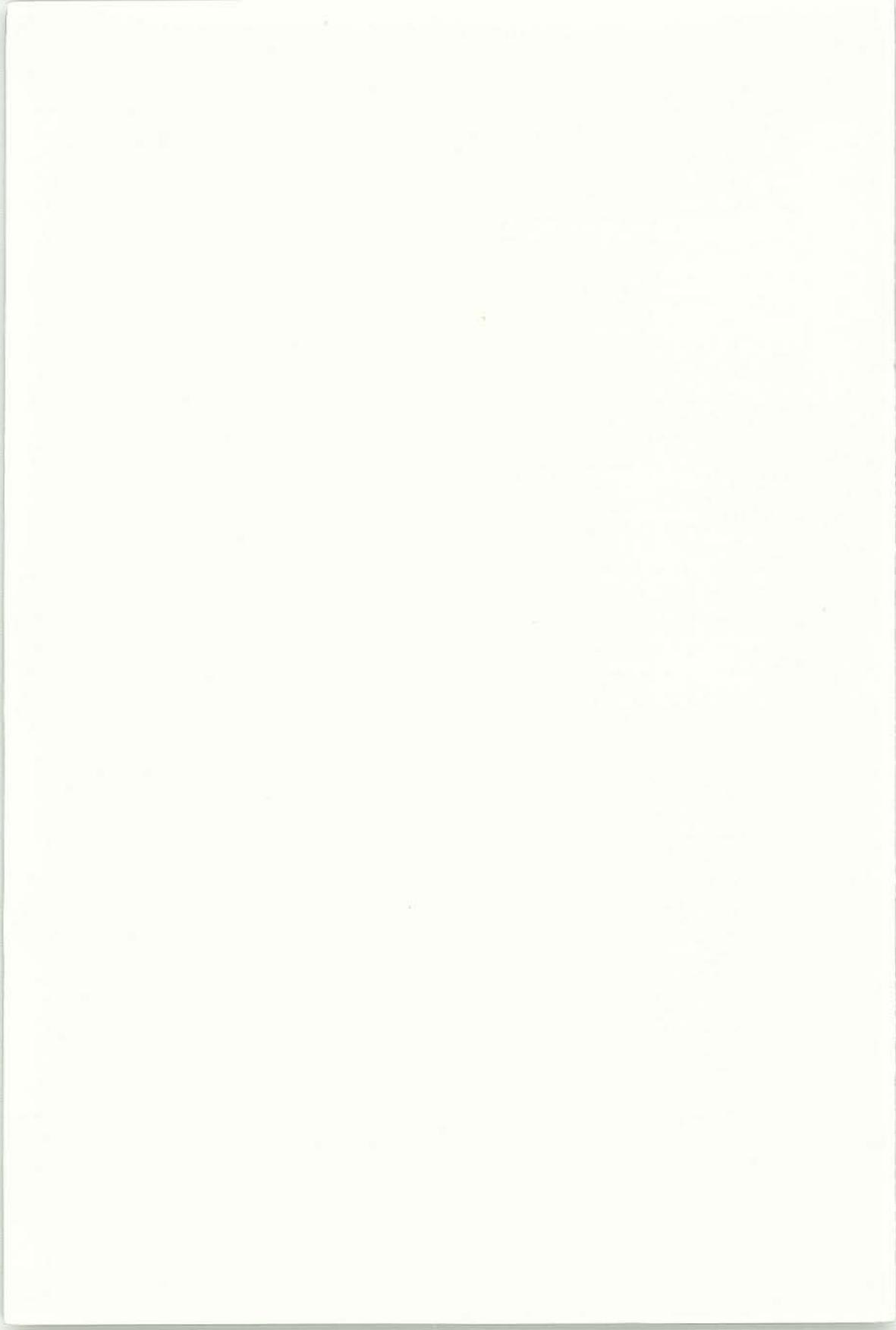
## **Dividend Disbursing Agent**

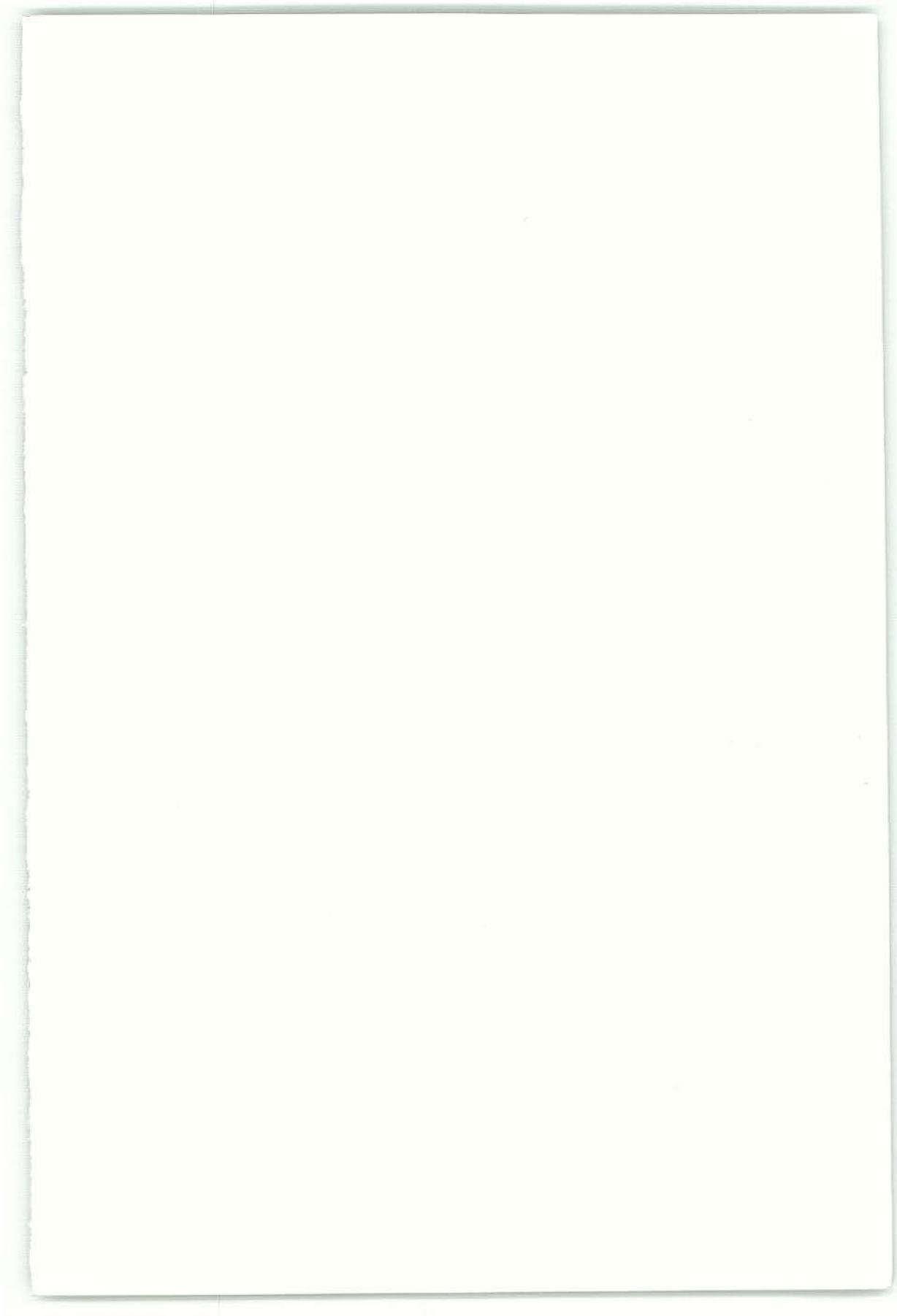
Trust Company Bank  
Corporate Trust Department  
P.O. Drawer 4625  
Atlanta, Georgia 30302

## **Transfer Agents/Registrars**

Trust Company Bank  
Corporate Trust Department  
P.O. Drawer 4625  
Atlanta, Georgia 30302

Morgan Guaranty Trust Company of New York  
Stock Transfer Department  
30 West Broadway  
New York, New York 10015





*The Coca-Cola Company*